Final Evaluation
of the
TechnoServe
Matching Grant

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TechnoServe
Matching Grant Evaluation

Executive Summary

This is an evaluation of a $4.65 million Matching Grant from USAID/PVC to Technoserve, Inc. for the period July, 1991 through August, 1996. The evaluation was conducted in a participatory manner by a team comprised of USAID and TechnoServe staff, led by an independent consultant

The Matching Grant, the fourth in a series, was designed to strengthen the organization by: creating a network of affiliates; decentralizing operations; providing training support and strengthening internal communications. The evaluation deals with performance in these institutional areas and with issues of program implementation in the field.

TechnoServe is a mature, professional development agency with a clear and well articulated focus and a strong sense of corporate identity. The Company has established a respected and well defined market niche and has been able to attract a highly competent, professional, dedicated and motivated staff.

The TechnoServe model is effective and well implemented and the programs have a significant positive impact on the lives of beneficiaries. TechnoServe's success derives from: the consistency between what TechnoServe does and what it believes; the technical soundness of the basic CBE approach and TechnoServe's capacity to adapt the CBE model to local country conditions. While impressed with overall implementation performance, the Evaluation Team identified several areas of concern including: greater emphasis on "critical mass", the addition of advanced support services, the importance of exit strategies and retention of the fee for service principle and greater attention to adult training methodologies.

Within TechnoServe there is considerable pressure for experimentation and change. This derives from the Company's disciplined program focus and the need to adapt to changing market conditions and opportunities. The Evaluation Team believes that the debate about new approaches is healthy and part of a continuing process of adaptation but that the internal climate in which this debate occurs is sometimes dysfunctional. Within the organization, a stronger effort needs to be made to structure a process that will bring alternative views out on the table for discussion and that will examine proposals for deviation from the norm analytically and objectively. It is especially important that senior country program directors feel there is a climate that is responsive to constructive change. The Team believes that this climate can be improved through: a more participatory, field based planning process; a stronger internal analytical capacity; clarification of the functions of the Center designed to strengthen its support role and to minimize perceived instances of "second guessing" and redundancy. The challenge for

TechnoServe will be to move toward a more experimental and adaptive mode of operation without abandoning core principles and areas of core competence.

The forthcoming change in executive leadership appears to have been well designed. Nevertheless, this will be a period of organizational vulnerability and strong centrifugal pressures.

TechnoServe's strong and clearly articulated sense of mission and guiding values permeates and gives coherence to the planning process. At the same time, TechnoServe needs to strengthen its capacity to explore alternative strategies for accomplishing its mission and for assessing the pros and cons of different interventions in the context of trends and changing market conditions. Currently, implementation planning is weighted toward the concerns and interests of Norwalk. Multi-year country level program planning has not been given the priority attention that it deserves. This has had a discouraging effect on periodic attempts to design and think through structural growth, maturation and "graduation" strategies for individual country programs. The Evaluation Team believes that the fulcrum point for multi-year program and budget planning within TechnoServe should be shifted toward the field.

TechnoServe has done an effective job in redefining the role and function of the Country Program and in shifting significant amounts of administrative and operational responsibility to the field. The TechnoServe programs that were visited for this evaluation manifest an appropriate degree of operational autonomy.

While TechnoServe has effectively decentralized administrative functions, it has done less well in simultaneously redefining the role of the Center in a decentralized organization and in reconstructing an institutional capacity to perform those policy making functions that an organizational Center traditionally performs. This has been made doubly problematic by the disbanding of the R&D unit which to some degree operated as a policy gyroscope for the organization. As a consequence, relations between Norwalk and the Country Programs have suffered.

The evaluation concludes that the functions of the Center need to be clarified and better explained. This should include a clear policy statement that addresses functions and responsibilities as well as a deliberate attempt to explain the pressures, challenges and difficulties that Norwalk staff face and to create greater empathetic understanding in the field.

With regard to the TechnoServe "network", the broad vision set forth in the matching grant has not been achieved - - TechnoServe has been slow and indeed reluctant to push its other Country Programs to greater independence. There are sound reasons for this slow progress and the Evaluation Team is cognizant of the real and perceived costs involved in a premature "graduation" strategy. However, the Team believes that TechnoServe should continue to pursue alternative models and practical strategies that will move individual country programs toward a greater degree of independence. The

Team believes that the approach to "graduation" (broadly defined) should be guided by the operative premise that all Country Programs will ultimately become autonomous at some future point in time.

In general, TechnoServe has established good working relations with USAID. In a few instances, the relationship is emblematic of the type of partnership envisioned in the New Partnership Initiative.

Key recommendations include: a deliberate effort to encourage greater program experimentation and increased freedom to adapt the program to the conditions of the 1990s; strengthening of the policy analysis functions throughout the Company; creation of a policy planning function in the Office of the President during the executive transition; decentralization of the planning process and the adoption of multi-year country planning; a redefinition of the role of the Center to stress its support function; greater attention to "graduation" and the development of alternative models of independence.

4

Table of Contents

I. Introduction

This report constitutes a final evaluation of a five year, $4.65 million Matching Grant from USAID's Office of Private and Voluntary Cooperation (PVC) to TechnoServe, Inc. for the period July, 1991 through August, 1996. Its completion constitutes a contractual requirement under the terms of the Grant Agreement. The evaluation was conducted during the period May -August, 1995 and involved visits to five countries and to the TechnoServe headquarters in Norwalk, Connecticut.

This Report is divided into six Sections that correspond approximately to the tasks set forth in the Scope of Work. These are:

I. Introduction

II. Institutional Strengthening

III. Implementation of the Rural Enterprise Development Strategy

IV. Quantitative Progress Against Objectives Set Forth in the Matching Grant

V. Conclusions

VI. Recommendations

A. Background

TechnoServe is a private, non sectarian, not for profit US voluntary organization. It was founded in 1968 and its goal is to improve the economic and social well being of low income people in the developing countries by creating and supporting the growth of small to medium scale rural enterprises. TechnoServe currently operates 11 field programs in Africa, Latin America and Central Europe. The organization receives funding from a wide variety of sources including foundations, corporations, individuals and government. Significant support is provided from the United States Agency for International Development (USAID) in the form of project related grants from USAID's overseas missions and from the centrally funded Office of Private and Voluntary Cooperation.

The Composition of TechnoServe's support for 1995 is as follows:

1995 Funding By Major Source	
US Government	$4.0 million (49%)
Private Sources	$2.6 million (32%)
Multilateral/bilateral donors	$ .6 million (8%)
Host County Sources	$ .9 million (11%)
Total	$ 8.1 million

The current Matching Grant is the fourth in a series of centrally funded grants that began in 1979. Since 1968, USAID has provided $48.6 million in support to TechnoServe of all types including field funded grants and contracts.

The Matching Grant was designed to build on TechnoServe's New Directions mandate adopted by the Board in May of 1990 and support TechnoServe's efforts to dramatically improve the quality and quantity of services to enterprises in Latin America and Africa by supporting a re-structuring of the organization involving:

- The creation of an international network of autonomous and semi-autonomous TechnoServe organizations, Partners and Country Programs.

- The creation of a streamlined, decentralized, service oriented support structure with placement of the locus of managerial and decision making responsibility in the country programs.

- The provision of customized training, training materials and support services to TechnoServe's country programs designed to enhance managerial capacity and increase operational autonomy.

- The design and installation of new and improved management information systems consonant with TechnoServe's decentralized structure.

B. Approach

This is a final evaluation of performance under objectives set forth in the Matching Grant. The **purpose** of the evaluation is to:

- Assess actual performance against objectives set forth in the Grant Agreement.

- Develop insights and recommendations that will be useful to TechnoServe and that will assist it in becoming a more effective organization.

- Provide a basis for the development and review of subsequent funding proposals should that be warranted and appropriate

The Scope of Work for the evaluation is at Attachment #1. The Scope poses three areas for inquiry: institutional strengthening; field implementation and long term institutional strategy and direction.

The evaluation was designed and conducted in a participatory style. Specifically:

- The Evaluation Team included two representatives from TechnoServe, two officers from USAID and an independent evaluator who served as Team Leader and who was responsible for preparation of the bulk of the final report.

- The evaluation approach was designed jointly and collaboratively and the findings, conclusions and recommendations were jointly developed at a Team "retreat" that took place after completion of the field trips.

- This, the final report, was reviewed, critiqued and approved by all team members.

The evaluation was conducted during the period May - August, 1995 and involved field visits to the Norwalk headquarters and to five TechnoServe country programs - - Peru, El Salvador, Nicaragua, Nigeria and Ghana. The Sequence of steps in designing and conducting the evaluation were as follows:

- Critique and modification of the Scope of Work.

- Team Planning meeting at TechnoServe headquarters which focused on criteria and standards for assessing institutional performance.

- Headquarters orientation and interviews with headquarters staff.

- Preparation of an interview guide for the final report. (Attached)

- Evaluation Team visits to Peru, El Salvador and Nicaragua.

- Evaluation Team visits to Ghana and Nigeria.

- Preparation and dissemination of field notes.

- Second round of headquarters interviews.

- Final Team meeting at headquarters and review of themes, findings, conclusions and recommendations.

- Drafting of the Report.

C. Institutional Overview

TechnoServe is a medium size PVO with a worldwide staff of 230 and a budget in FY 1995 of $8.1 million. Since its establishment, TechnoServe has been ably directed and managed by its founder, Edward Bullard. The "Company", as it is called by its employees has a focused and carefully developed approach to community based enterprise development   and a supporting organizational culture and set of operative values which are fundamentally in alignment with the goals of the organization.

Reflections on the 25 Anniversary of TechnoServe.

On January 2, 1968, I sat down at a borrowed desk in the hall of the Interchurch Center and tried to decide how I should proceed. I knew that I wanted to create an institution which would enable the poor to provide for themselves but I had little idea where to begin .... From the beginning I wanted to enable the poor to increase their wealth through greater productivity and thus improve their own well being. I knew that this was central to sustainable development. Data showed that a large percentage of the poor of Africa and Latin America lived in rural areas and depended on agriculture for their livelihood. These findings provided focus for our program...they have stood the test of time and continue to guide our activities. Ed Bullard, Founder and President.

The TechnoServe community based enterprise (CBE) "model" places principal emphasis on working with established, medium size agriculturally based , private sector organizations that have a reasonable prospect of becoming financially viable. With few exceptions, TechnoServe only provides management training and technical assistance and advice and rarely offers direct access to credit facilities. The TechnoServe relationship with a client CBE includes a time phased contractual understanding that sets forth obligations and expectations and provision for a modest but symbolically important fee for service. TechnoServe's style places emphasis on local solutions, community participation, the fostering of productivity and the creation of wealth.

> *TechnoServe aims to improve the economic and social well-being of low-income people in developing countries through a process of enterprise development which increases jobs, productivity and income. TechnoServe accomplishes this by providing management, technical assistance and training to enterprises and institutions primarily related to the Agricultural sector.* TechnoServe mission statement.

More than most American PVOs, TechnoServe has been able to carve out a clear identity and special market niche for itself. Important attributes of this unique position include:

- A clear and circumscribed focus on medium size, community based enterprise functioning in the rural, agricultural sector.

- A well demonstrated ability to employ a tested methodology and to adhere to the basic attributes of this approach despite the shifting fashions in foreign aid.

- The incorporation of a private sector perspective, a businesslike approach and a related corporate culture and set of values as manifest in the language of the Company and in the emphasis that is placed on financial viability, the creation of wealth and the damaging effects of subsidies that operate contrary to market forces.

At the same time and like any successful and growing organization, TechnoServe has had to confront the necessity of change and adaptation and to deal with challenges to accepted doctrine and established practice. The process of adaptation has created legitimate tensions within the organization, magnified to some degree by the decentralization process. These include:

- The balance between central control and decision making and a decentralized, autonomous field structure.

- The balance between exclusive emphasis on traditional community based enterprise development in the rural, agricultural sector and variations on this theme to emphasize other forms and vehicles of institutional support.

- The balance between the Founders clear, persistent and focused set of programmatic priorities and the inevitable surfacing of alternative models and thematic variations.

The manner in which TechnoServe had addressed these challenges has been discussed in previous evaluations and is discussed in this current document. It is the conclusion of

these assessment that by and large, TechnoServe has handled the tugs and pulls of growth and change successfully and that the process of decentralization that began in 1991 and that was supported and facilitated by the current Matching Grant has been integral to and supportive of that successful adaptation.

TechnoServe is currently facing four formidable internal and external challenges that are discussed in this Report.[1] In summary, these include:

- The need to update or "modernize" the approach to community based enterprise development to reflect current trends and market conditions. There is a growing consensus within the organization in favor of programmatic experimentation and the adoption of new approaches that may deviate from well established doctrines of the past.

- The surfacing of important questions regarding the roles, functions and balance of authority between the Norwalk Center and the field programs.

- A leadership transition involving the transfer of authority from an effective, persistent and visionary founder to a younger generation of development practitioners with considerable hands on field experience.

- The importance of deepening and diversifying the base of financial support in the context of decentralization and in the face of a potential serious erosion in the funding capacity of TechnoServe's principal supporting ally, USAID.[2]

II. Institutional Strengthening

The central purpose of the Matching Grant was to strengthen TechnoServe's basic institutional capacity to dramatically improve and expand its services to small and medium scale rural community-based enterprises in Africa and Latin America.[3] That was to be accomplished through a systematic process of organizational decentralization, the creation of an international network of TechnoServe affiliates and the design and installation of supporting procedures, information systems and training facilities.

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[1] TechnoServe is currently in process of completing a Strategic Plan and a draft has been reviewed and endorsed in principle by the Board of Directors. This is an important document both because it envisions a significant departure in what TechnoServe does and because it sets forth an unusually candid assessment of TechnoServe's strengths and weaknesses as an organization. By and large the Evaluation Team concurred with the assessment contained in this Plan. Comments and a short critique are included under the section on planning.

[2] And made difficult because TechnoServe is an organization that does not easily bend its program priorities to pursue new funding opportunities or sources.

[3] A broad purpose of the PVC Matching Grant Program is to increase the financial sustainability of recipient organizations by encouraging diversification in the funding base and a reduced reliance on USAID funding. This appears to have been accomplished in TechnoServe's case. Over a 10 year time period (1984-1994), reliance on USAID funding has dropped from 60% to 52% with a concomitant increase in private funding.

> *Working with Others in Nigeria. In Nigeria most of the usual public services to the rural agricultural sector have disappeared. This gives importance to innovative partnerships and local non-governmental solutions. TechnoServe/Nigeria has taken the lead in forming alliances and in galvanizing support systems. This TechnoServe program focuses on strengthening NGOs and working with Community Development Associations. TechnoServe/Nigeria serves on the NGO Steering Committee, participates actively in the Nigerian Agency for Voluntary Development, works closely with the Ford Foundation and has actively participated in the establishment of a Community Development Trust Fund. They have forged a particularly close relationship with the Post Harvest Technology Unit of the Institute for Tropical Agriculture. The IITA research station is an elegant facility in a large gated compound. The collapse of national agricultural research efforts and the national extension program meant that IITA's practical work was little known outside the walls of the research station. The relationship with TechnoServe changed that. With TechnoServe's outreach, the post harvest unit is now testing their innovative designs in a variety of rural communities. These real world applications provide valuable feed back to IITA and give TechnoServe a solid resource to offer their CBE clients.*

The following sections deal with these three specific Matching Grant objectives and with four fundamental attributes of effective institutional performance: clarity of purpose and values; the institutional capacity to adapt and change; leadership and the imminent executive transition and the effectiveness of the planning process.

A. Clarity of Purpose and Values

An organization's capacity to develop and maintain a clear and coherent purpose and a set of supporting values which are consistent with what the organization does and how it does it is a fundamental characteristic of institutional sustainability and program effectiveness. This capacity can evolve as a function of clear leadership, a strong planning process, consistent and well informed personnel choices or the inherent nature of what the organization does and the marketplace in which it functions. The constant fine tuning of organizational purpose and the corollary modification of supporting values is management's most challenging task.

With respect to TechnoServe, the Evaluation Team developed the following conclusions:

- Over the years, TechnoServe has demonstrated a strong capacity to stay focused and to carve out a well defined market niche for itself. The Company has been able to articulate and inculcate a set of program principles and operative values which are consistent with what it does and which give TechnoServe a unique identity.

- This is an important program attribute because TechnoServe itself is fundamentally in the business of changing attitudes, perceptions and values in the client groups with which it is working. While the provision of technical know-how is important, **the principle comparative advantage that TechnoServe brings to a client relationship is an attitude and an approach to resource allocation decisions. TechnoServe's consistency of purpose and integration of values is critical to the accomplishment of this objective.**

> *In Ghana we have worked hard to build a network of community based palm oil manufacturing centers and to introduce an understanding of what it takes to be a financially viable organization. We give these small groups training in basic planning and accounting and in principles of cost recovery. But the tradition of entitlement is strong around here and there are a lot of donors with deep pockets. We are always being hit up for free money to deal with some crisis such as an expensive tractor or a new truck to transport palm nuts. These pleas are loud, frequent and difficult to resist, but of course it would be financially disastrous to give in. I think we have been pretty adroit at fielding these requests and at turning them back on the enterprise to force objective financial analysis. It makes them think about their future. It's sort of a form of enterprise empowerment.* A TechnoServe Project Advisor.

- Within TechnoServe there has been a growing desire to expand the perimeter of permissible activity, to design CBE programs that respond to changing trends and market conditions and to experiment with interventions that deviate from the traditional emphasis on community based enterprise development. Balancing between a core, heartland program and new innovative directions has caused considerable recent tension within the organization. The specifics of this issue are discussed below. On balance, the Evaluation Team believes that TechnoServe can be more flexible without doing damage to its core identity and that experimentation and openness to change should be encouraged and made a more important part of the

corporate culture than is currently the case.[4] The Evaluation does **not** conclude that there is a current imperative for a **comprehensive programmatic** reengineering of the Company. [5]

> *"Let's face it. Our methodology hasn't changed significantly since the mid 80s. But the world has! The basic tenets are sound but the market has changed and we need to make sure we are positioning our CBEs as best as possible. This means access to credit, sophisticated marketing skills, strategic planning and computer know how."* A TechnoServe field representative.

Looking ahead, the Evaluation Team notes that there will be considerable pressure on TechnoServe to deviate from it basic mission and to move opportunistically into new areas. These pressures are a consequence of expectations related to the imminent leadership transition, the centrifugal tendencies that come with decentralization, external shifts in foreign assistance priorities, changes in the objective realities of the market place and sharp pressures on the TechnoServe budget. At the same time, TechnoServe's supporters will be watching carefully to determine whether the executive transition will signal a basic change in approach and program direction. **This will be a vulnerable time for the organization.** The challenge will be to be adaptive and demonstrate responsiveness to an accumulated desire for change while remaining consistent with TechnoServe's basic values and identity.

B. Innovation and the capacity to adapt

Appropriate adaptation tends to be a function of a strong sense of institutional identity, a clear understanding of the marketplace, a desire to change and an ability to articulate and implement an alternative approach. It is supported and facilitated through good internal communication and an effective and participatory strategic planning process. In the body of this report, TechnoServe gets high marks with regard to institutional identity, good but cautious credit for its capacity to understand the marketplace and design and implement alternative approaches - - the latter would be appreciably strengthened

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[4] The Evaluation Team notes that the Country Programs have already demonstrated considerable adaptive agility without doing damage to basic principles. The Team believes this is indicative of constructive institutional change although it has come at the cost of some degree of organizational tension, has hampered internal communications and has not had the positive transference effect that a more open and embracing approach to experimentation would have encouraged.

[5] The Evaluation Team concurs with the emphasis on increased flexibility set forth in the draft Strategic Plan. The Team does believe that there is an imperative for a comprehensive reengineering of the relations between headquarters and the field.

through the re-establishment of a stronger analytical capability akin to the Research and Dissemination (R&D) Department which was disbanded several years ago. [6]

Within TechnoServe, there is a growing chorus for greater freedom and an opportunity to try new approaches. These include, working with entrepreneurs, experimentation in the urban sector, the possibility of initiatives in the popular microenterprise sub-sector, the adoption of credit facilities, collaborations with non-community based commercial entities and the design of new program interventions in such areas as governance and board relations. Increasingly, there is a field perception that imposition of the traditional CBE model is not only constraining but that it is inconsistent with the innovative work that is already occurring - - that forcing new programs into traditional doctrine hampers fund raising, hurts morale and precludes pursuit of innovative approaches.

At the same time, the staff of TechnoServe recognize the validity of program focus and the importance of preserving TechnoServe's reputation as a n organization that has perfected a methodology and a set of practices and attitudes that have given it a clear operating niche and a strong comparative advantage in its area of competence. There is broad appreciation that TechnoServe has been ably directed and that its unique strength has been its capacity to "stick to its knitting" and avoid the seductive blandishments of whatever is new and fashionable on the foreign aid scene.

> *TechnoServe and conflict resolution. In Nicaragua, TechnoServe is working with former Sandanista and Contra combatants to enhance the success of the land distribution program. TechnoServe, through a USAID funded project, provides seed capital and technical assistance to former soldiers who have little knowledge of agricultural practices. These efforts are beginning to pay off through reduced tensions between former antagonists and through the slow but steady generation of retained earnings from newly formed CBEs.*

It is difficult for the Evaluation Team to come down squarely on an optimal balance point between tradition and adaptation. The Team has formulated the following views with respect to the **process of change** and factors that should influence that process:

- The challenge for TechnoServe in the coming years will be to move toward a more experimental and adaptive mode of operation without abandoning its established area of core competence. The challenge will exist both in real

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[6] The R&D Department's function, though it changed over time, was primarily to collect case information and lessons learned from the TechnoServe program and disseminate that information to development practitioners. By and large the Department did not deal with internal policy issues or questions of strategic direction.

terms i.e. with respect to defining an acceptable level of program diversification and in terms of external perception i.e. with respect to assuring current and prospective funders that TechnoServe has not abandoned its heartland of basic competence and effectiveness.

- Staying focused and coherent and simultaneously adaptive and flexible will be difficult in view of a variety of strong centrifugal forces including:

  Decentralization of operations and decision making to the field.

  Uncertainty with respect to the changing roles and function of Norwalk staff together with the dissolution and disappearance of the central R&D unit which represented an intellectual center for the organization.

  The country based orientation of the new President and his legitimate desire to respond to the needs of the country programs.

  Funding pressures and budgetary constraints which inevitably weaken the strongest resolve to remain focused and which make it difficult to strengthen those core analytical and policy making functions that will ensure programmatic coherence.

  And finally and importantly, the retirement of the founder and the loosening of the guiding principles which he so effectively articulated and represented.

> *"When one reviews the history of strategic plans at TechnoServe the recurring theme is 'keep doing the same thing, just make it bigger.' This new strategic plan is built on different premises - - premises that reflect the changing world around us and changing donor demands. This new TechnoServe strategic plan takes risks - - calculated, reasonable risks."* From the 1995-1997 Strategic Plan.

TechnoServe will need to structure a deliberate **change process** that is inclusive and participatory, sensitive to external trends and respectful of the culture, traditions and established expertise of the Company. Within the organization, a stronger effort needs to be made to structure a process that will bring alternative views out on the table for discussion and that will examine proposals for deviation from the norm analytically and objectively. It is particularly important that senior country program directors feel that there is a climate that is responsive to constructive change.

Factors that will enhance the likelihood of success include:

- An open and participatory planning process.

- A Company wide commitment to a process of change together with a Company culture that is responsive to innovation and deviation from the norm.

- A strong analytical ability to assess the merits of alternative proposals.

- A good understanding of external trends and likely developments.

- A willingness to make a full, organization-wide commitment to change when it has been decided to proceed and, in particular, the budgetary discipline to allocate necessary resources.

C. Leadership and the Executive Transition

Critical attributes of leadership include a clear and focused vision, a set of values and beliefs that are aligned with the culture of the organization, a high degree of technical and substantive competence and the capacity to encourage and motivate others. TechnoServe has been exceedingly fortunate over the years in having executive guidance that meets these four standards. In particular, the Company has benefited from a coherent and consistent interpretation of its basic mission and a remarkable self discipline which has earned professional respect and has helped it carve out its own unique niche in the marketplace of development practitioners. As is understandable and predictable, this very asset - focus and discipline - has created tensions within the organization and a desire for greater freedom and innovation.

TechnoServe is currently approaching a leadership transition - - the first in its history. Executive transitions are always difficult and often dangerous. This is particularly true when the transition coincides with a reassessment of basic direction. Successful leadership transitions have the following attributes:

- The executive transition is based on a clear assessment of organizational need.

- The evolution in leadership derives from and is based on a set of objective strategic considerations .

- The transfer of authority is clear and unambiguous.

- Roles and responsibilities are clearly defined during the awkward transition stage and there is a close and collaborative working relationship between the involved individuals.

- Mechanisms are installed to ensure that the best of the traditional are respected and retained.

- There is full and unequivocal Board support for Both the outgoing and the incoming leader.

- The departing executive is honored and given the respect and admiration that he/she so richly deserves.

To date, TechnoServe gets good marks for the manner in which it is dealing with this important transition. The approach has been thoughtful and strategic and has involved heavy input from the Board and a rather extraordinary personal commitment from the Chair. It has been part of a recent strategic planning process and it is apparent that the choice of the new Director flowed from and was influenced by that process.

At the same time, it is important to recognize that executive transitions create vulnerable situations especially for not for profits who are highly dependent on public perceptions. Dangers involve the pressure of inflated expectations for change, the risk of sudden and poorly conceived shifts in strategic direction, the loss of key donors and funding support and the emergence of serious staff conflict.

For these reasons, the Evaluation Team believes a strong policy planning capacity should be established to support the new President during and perhaps for a period following the transition. It could take the form of either an augmented staff capacity within the Program Division or an independent unit reporting to the President. The new Policy function should perform a staff function (i.e. have no operational responsibilities), report to the President and be flexibly responsive to his needs and priorities. Its functions could include some or all of the following.

- Final revision and completion of the Long Range Strategic Plan in close conjunction with staff and members of the Board of Directors.

- Gathering and analysis of field suggestions for modifications in program policy and approach.

- Assisting in board relations and board development.

- Preparation and analysis of specific policy initiatives in such areas as: e.g., alternative models of autonomy; the development of exit strategies; review and analysis of alternative organizational structures; evaluation of the pros and cons of various performance, planning, budgeting and review systems.

D. Long Range Planning

1. The Process

The existence of a participatory planning process is central to organizational effectiveness. It is particularly important during challenging transitions. Effective planning involves the integration of three overlapping processes:

- The articulation and regular re-clarification of mission, values and guiding policies.

- The formulation of a set of clear strategic objectives that derive from an objective assessment of external conditions and institutional capacities.

- The development of some form of implementation plan(s) that describe how the organization is to move toward achievement of its strategic objectives within probable resource limitations.

The TechnoServe planning structure involves periodic preparation of a Company wide strategic plan and annual preparation of budget and program plans for each Country Program. It is augmented by policy planning seminars for key staff that are scheduled every three years. In addition, Country Programs are encouraged and frequently do prepare their own multi- year strategic plans, although these do not appear to be a formal part of the planning process.

> *"As we proceed it has become increasingly clear that fundamental to TechnoServe's future success is becoming flexible enough to accommodate diverse regional and country specific approaches, strategies, tactics and action steps leading to wealth creation in communities where TechnoServe works. This flexibility must be integrated effectively into TechnoServe's organizational structure and systems and must demonstrate clear linkages to an improved quality of life for the poor."* Excerpt from the draft 1995-97 Strategic Plan.

The Evaluation Team formed the following views with respect to the planning process and the various components of that process:

- TechnoServe has a strong and clearly articulated sense of mission, guiding values and a set of policies and guidelines that supports that mission. This sense of purpose permeates and gives coherence to the planning process.

- At the same time, TechnoServe needs to strengthen its capacity to explore alternative strategies for accomplishing it fundamental mission and for assessing the pros and cons of different interventions in the context of trends and changing market conditions. This is true both with respect to the organization as a whole and with respect individual Country Programs.

- Implementation planning within TechnoServe understandably reflects a tension between the need for central policy and budgetary control on the one hand and the desirability for individualized approaches and operational autonomy on the other.

- Currently, the implementation planning process is weighted toward the concerns and interests of Norwalk and reflects the reality of budgetary constraints, the balancing of earmarked funds, the need to review and approve projects that appear to significantly deviate from traditional practice and the understandable desire to ensure that TechnoServe functions as an integrated entity, not simply as the sum of disparate parts. As a partial consequence of this centrist orientation, **multi-year country level program planning has not been given the priority attention that the Evaluation Team believes it deserves.**

- The relative de-emphasis on country based planning has had a discouraging effect on periodic attempts to design and think through structural growth, maturation and "graduation" or independence strategies for individual country programs. It has also meant that the Country Programs have tended to avoid the pro-active strategic thinking that is critically important as market conditions change and as funding opportunities arise and sometimes fade.

The Evaluation Team believes that the fulcrum point for multi-year program and budget planning within TechnoServe should be shifted toward the field. The Team believes that this can be accomplished without an erosion of institutional identity or a loss of budgetary control and that it will have significant programmatic and fund raising value. The shift in emphasis can be accomplished by basing TechnoServe's overall implementation plan on individual Country Programs, through a multi-year commitment of funds to individual field programs, and by phasing the planning process so that the corporate plan will build on and derive from the Country Plans. A shift in the locus of planning will involve changes in practice, policy and attitude and a recasting of roles between the Center and the field. The Evaluation Team believes this shift in emphasis will have the following benefits:

- It will encourage the development of realistic long term strategies to reach country program autonomy, should this prove desirable, and identify the steps necessary to accomplish that objective.

- It will provide a mechanism and a forum to better define the relationship between individual Country Programs and the Center and to clarify roles, expectations and mutual obligations. In particular, it will encourage the development of a multi-year funding strategy that will help the Center prioritize its fund raising activities

- It will more squarely place the resources of the Center at the service of the country programs, where they appropriately belong.

- It will encourage adaptive program change at the country level and increase the likelihood that the Country Programs are in a better position to anticipate significant market shifts.[7]

> *Well, here's what I would like from Norwalk. I'd like to know how much money I can expect over a five year period, I'd like to know how much money I've got to raise, I'd like some help in raising it and then - - except for the applause - - I'd like to be left alone. What we need to do down here is to come up with some revenue generating programs and we have to be able to use our own language and approach in doing it. I can remain compatible with the spirit of the CBE approach, but not with the letter of the law.* A TechnoServe Country Director.

2. The Current Strategic Plan[8]

The current draft Strategic Plan (1995-1997) is an important document because of its candid assessment of TechnoServe's strengths and weaknesses and its call for increased flexibility and new programmatic directions. The Plan sets forth seven key objectives that, if fully implemented, would involve a comprehensive realignment of the Company including a broader spectrum of program services with a growing emphasis on non-CBE activities, the initiation of programs in new geographic regions (presumably Asia and/or the Central Europe), a transfer of responsibility to a locally incorporated affiliate whenever this improves program impact, a realignment of fund raising responsibilities with greater emphasis on the role of the country program and a gradual decline in

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[7] The Evaluation Team recognizes the practical difficulties in implementing a country based planning system and the problems associated with balancing unpredictable revenue streams and multiple ear-marked funds with shifting country conditions. Any country based planning process will have to be designed to reflect centrally imposed adjustments.

[8] The Evaluation Team feels it is important to take note of the fact that several of the central themes and specific conclusions and recommendations set forth in this document are addressed and recommended in the Strategic Plan. Because the Plan has not yet been officially adopted, the Team has not been able to assume that these recommendations would be adopted.

reliance on USAID support, a restructuring of the headquarters role and a possible geographic relocation of TechnoServe's headquarters to the Washington, DC area.

The Evaluation Team is positively impressed with the fresh, innovative and energetic approach that is conveyed in this Document and in general concurs with the new directions that are set forth in the Plan . Many of the themes and recommendations set forth in the Plan are echoed in this Evaluation. The Team has the following comments and modest caveats and cautions:

- The Team concurs with the degree of program diversification envisioned in the Plan i.e. maintenance of a primary focus on CBEs with a **gradual** increase in institutional and financial projects and management consultancies. The Team believes this demonstrates a degree of diversification and risk taking that is appropriate under the current transition circumstances.

- The Team concurs with the emphasis on clarification of the roles, functions and responsibilities of headquarters. The Team is, however, cautious with respect to further reductions in the size of headquarters staff in view of the need for an augmented policy planning function during the executive transition, the resuscitation of the R&D functions, fund raising imperatives and the importance of providing continuing training and related support to the field. While the Team is completely supportive of decentralization and encourages progress toward greater degrees of field autonomy, it believes that a strong and effective Center is important to the maintenance of institutional identity. As noted elsewhere, the Team does not believe that the issue is the strengthening of headquarters versus the field, or visa versa. Rather, the challenge is to clearly define respective roles and to strengthen the capacity of both the field and headquarters to perform these roles.

- The Team strongly supports the emphasis on developing host country funding sources particularly with reference to developing partnership relations with commercial entities. As discussed in the section dealing with implementation, the Team believes that both TechnoServe and its clients can benefit if the Company attempts to more actively upgrade its services to match the gradual maturation of its clients while simultaneously shifting to a fee for service approach. This is more than "cost recovery" in the narrow sense. Rather it involves a pro-active intent to participate in the profit stream of a successful client.

- In general the Team supports the analysis and conclusions set forth in the Plan's section on funding prospects and the revenue goals set forth in that section of the Plan. In particular, the Team strongly supports the emphasis on revenue diversification and the decline in the relative emphasis on USAID funding. In fact, the static and then slightly increased levels forecast for USAID may be excessively optimistic. For purposes of prudent and cautious

planning, TechnoServe would be well advised to develop a "worst case" funding scenario based on declining levels of USAID support should that unfortunate reality materialize.

- As noted under Field Implementation, the Team believes that TechnoServe should make a more concerted effort to generate revenue from its field operations. The Plan currently forecasts a doubling of income from this source during the plan period with earned revenue rising from 9% in 1994 to 12% by 1997. The Team believes that this is a too cautious estimate and that TechnoServe should consider a range of more dramatic options to generate earned revenue including the possibility of a for profit subsidiary, alliance(s) with for-profit consulting firms, a more active effort to collaborate with industry and the possibility of designing a "franchise" model that could be marketed to donors and/or host governments. To some degree, TechnoServe is already exploring these alternatives but the Team believe the level of effort should be accelerated.[9]

- Finally, as emphasized in several sections of this Report, the Team would encourage TechnoServe to move toward a more substantive, field based planning system that would involve the preparation of multi-year strategies in the field, deployment of Norwalk staff to assist in these efforts, the formulation of long term "contractual" understandings with respect to resource flows from the Center. These individual country plans should together form the core of the Implementation portion of TechnoServe's overall Strategic Plan.

E. Decentralization

A central objective of the Matching Grant was to support a process of organizational decentralization that would vest a greater degree of operational autonomy in the country programs. This appears to have derived from an assessment that concluded that:

- TechnoServe would be programatically more effective if decision making was located more closely to implementation.

- Delegation of the administrative apparatus would increase efficiency.

- Greater managerial autonomy would increase the incentive for and the effectiveness of field based fund raising.

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[9] In general, the Team noted some ambivalence with respect to moving more aggressively toward revenue generating programs. TechnoServe field representatives were quick to point out how difficult it was to be supporting and empowering organizations on the one hand and then profiting from their success on the other. The Team is sensitive to this dilemma and believes it is an important and interesting area for organizational research.

- Decentralization would lead to the evolution and growing autonomy of the country programs and to the gradual establishment of the TechnoServe network.

1. The Benefits of Decentralization

TechnoServe has done an effective job in redefining the role and function of the Country Program and in shifting significant amounts of **administrative and operational responsibility** to the field. This has been done pro-actively, deliberately and systematically - - not an easy or pleasant task for an organization with a tradition of centralized management. **With the exception of further training in fund raising and a shift in the locus of strategic planning to the country program, the TechnoServe programs that were visited for this evaluation manifest an appropriate degree of operational autonomy.** While the benefits of managerial delegation and decentralization are difficult to quantify, the Evaluation Team noted that:

- Field managers universally supported decentralization and felt that it had augmented their capacity to be effective managers and to achieve program goals.

- There was broad agreement that decentralization of functions and systems had been extensive and meaningful and that it had entailed a significant change in the way TechnoServe goes about its business.

- There is broad consensus that decentralization has improved administrative efficiency and reduced redundancies, second guessing and bottlenecks.

While decentralization has had administrative benefits, it has not to date resulted in an appreciable improvement in the capacity of the country programs to raise increased resources:

- Country Program managers are frustrated at the difficulties they face in raising funds locally and believe they need additional training in fund raising and in marketing strategy in order to be effective.

- In varying degrees, Country Program managers believe that their ability to raise funds locally is handicapped by a doctrinaire approach to enterprise development and an inability to adjust the language of the CBE model to the local situation. (The validity of this concern is difficult to assess and in fact the Team was impressed by the adaptability and diversity of the Country Programs that were visited.)

- Country Directors generally feel they need more support from Norwalk, better coordination of effort and improved clarity with respect to the choice of fund raising priorities.

- The existence and quality of in-country marketing plans was differential and mixed. It was clear to the Evaluation Team that a more deliberate and consistent effort to develop in-country marketing strategies was needed.

- As noted above, the Team believes that a shift in emphasis toward country based planning would enhance the income producing capacity of the Country Programs.

While TechnoServe has effectively delegated administrative responsibility and revamped its internal administrative systems and functions, it has maintained central policy oversight through the planning process and through central review and approval of significant deviations from the basic CBE approach. This has created tensions which are discussed below and under the previous sections dealing with Adaptation and Change and Planning.

2. Field/Headquarters Relations

While TechnoServe has effectively decentralized administrative functions, it has done less well in simultaneously redefining the role of the Center in a decentralized organization and in reconstructing an institutional capacity to perform those policy making functions that an organizational Center traditionally performs. This has been made doubly problematic by the disbanding of the R&D unit which, to some degree, operated as a policy gyroscope for the organization. As a consequence, relations between Norwalk and the Country Programs have suffered. While difficulties between headquarters and the field are characteristic of most geographically dispersed organizations and reflect the fact that goals, interests and perspectives are not necessarily identical, the level of discomfort in the current case is particularly problematic in view of the centrifugal tendencies discussed above and in the context of the approaching executive transition.

Tensions between Headquarters and the field include the following, issues:

- Confusion about the roles and functions of the Center and related questions with respect to the ultimate utility of central oversight. More specifically, field offices expressed concerns about, the frequency of "second guessing", frustration at high levels of staff turnover in the program office and the narrow emphasis on CBEs in program planning.

- A desire for greater substantive technical support from the Center including more and better information about the experiences and lessons learned from other Country Programs, the provision of training materials and training methodologies.

- A desire for greater fund raising support including more training and a more responsive Norwalk structure that would react and support field initiatives rather than pursuing an independent set of fund raising priorities.

- A desire for stronger and more coherent intellectual guidance from the Center with regard to the pros and cons of alternative strategies and summary analysis of lessons learned.

These concerns are exacerbated by the imposition of a Norwalk overhead charge that is added to the country program overhead and that drives up the total cost of doing business with TechnoServe.

> *It's a Catch 22 situation. I'm supposed to be more independent and to raise more of my income locally. I come up with some great ideas that I'm told are outside the CBE framework. Then I cobble together a proposal for the World Bank that is pure, traditional TechnoServe. Then I'm told I have to add a 22% overhead rate to pay for Norwalk and then the Bank tells me I'm too expensive so the whole thing dies!* A TechnoServe Country Director.

To deal with these issues, the Evaluation Team would encourage TechnoServe to do the following:

- Shift the locus and content of strategic planning to the field and give greater weight to country based planning in the overall planning process. The preparation of a consolidated plan to provide policy and budgetary coherence will continue to be important and adjustments and modifications in Country Program plans to reflect organizational goals, program priorities and funding realities will continue to be necessary. Nevertheless, there is much that can be done to shift the intellectual center of the planning, programming and budgeting process to the field through the careful development of multi-year program and marketing plans.

  Reconstitute an organization-wide capability, both at the Center and in the individual Country Programs, to perform some of the functions previously performed by the R&D unit (adapted to a now decentralized organizational structure) plus other functions discussed in this Report in order to strengthen TechnoServe's analytical capacity.

- Clarify the function of the Program and Support Divisions to give greater emphasis to their supporting and facilitating role.

- Reconfigure the range of Norwalk functions and responsibilities to emphasize a **team approach** with the various components - - program, development, finance, human resources - - functioning as an integrated resource team as opposed to separate organizational units.

- Proceed with the testing and adoption of new communication technologies such as the introduction of Lotus Notes that will facilitate the transfer and sharing of information and the exchange of experience.

F. Systems, Procedures and the Collection and Dissemination of Information

The Evaluation Team did not undertake a comprehensive analysis of TechnoServe's systems and procedures although it was provided with and did review the basic manuals and operating procedures that the organization has designed and developed over the years as well as TechnoServe's Field Data Base System for collecting program impact information. The Evaluation Team formed the following impressions:

- TechnoServe is a mature, professional organization with a well developed set of supporting systems, procedures and policy manuals that appear to be consistent with and supportive of the programmatic functions and objectives of the Company.

- The Company's systems and procedures - - its "businesslike" approach to its own operation - - is an important part of the role model image that it conveys to its clients and is related to program effectiveness.

- The Evaluation Team was impressed with the comprehensiveness and attention to detail of the manuals and procedural guidelines that were reviewed both at Headquarters and in the field ranging from policy (the "blue book") to personnel and office operation procedures.

- The Team was impressed with the quality and comprehensiveness of data collected through the Field Data Base System and with the capacity of this system to collect a wide variety of project related information project progress and on such matters as environmental and gender impact. Currently the FDB system places primary emphasis on collecting data that measures the direct benefits of project activity. While this is valuable, the Team believes the system could be strengthened by inclusion of indirect measures that would include social, economic and civil society outcomes. This should be of importance to TechnoServe in its fund raising and donor relations and with respect to program design.

- As suggested in other sections of this Report, the Evaluation Team believes that further institutional work needs to be done in three areas that will involve the corollary design and/or modification in systems and procedural guidelines.

These are: a restructuring of the strategic planning process; improvements in the management information systems to encourage increased dialogue between country programs and with the Center; the development of training methodologies and materials.

G. The TechnoServe "Network" and the Issue of Graduation

The Matching Grant placed considerable emphasis on the establishment of a TechnoServe network and the creation of "...an international alliance of autonomous and semi-autonomous national level TechnoServe organizations, TechnoServe collaborative partners and TechnoServe Country programs." The Grant envisioned "... two to three wholly autonomous, largely self funded national-level programs or TechnoServe 'spin-offs'; three to five semi-autonomous country programs with local advisory boards and funding resources; three to five regional/national collaborating affiliate agencies.... and six to eight increasingly self directed TechnoServe Country programs."

The "network concept" was and continues to be appealing because it suggests that TechnoServe will achieve a critical global mass of institutional impact and a degree of synergy not possible through the sum of the individual affiliate parts. The concept also suggests that TechnoServe will increasingly be able to "graduate" or spin off subsidiary units that will maintain strong policy and programmatic ties with the parent organization but that will have their own unique identity and be essentially indigenous and autonomous in structure and operation..

While, TechnoServe has indeed been successful in establishing useful in-country collaborative relationships and partnerships with other public and private sector development agencies, the creation of an international network of affiliated partners as envisioned in the ambitious language of the grant has not occurred. This reflects a variety of factors including:

- Inherent difficulties in designing indigenous governance structures that can effectively balance the attributes of local independence with mechanisms that can ensure an appropriate degree of policy oversight from the parent organization.

- An understandable reluctance to spin off viable programs that are having a positive impact on the lives of poor people with the risk that these programs will flounder and deteriorate.

- Mixed experience with respect to the capacity of the newly independent organization to become financially sustainable and to raise funds on their own without considerable assistance from the parent organization.

- An ongoing debate within TechnoServe about whether graduating or spinning off subsidiary units is a cost effective strategy for maximizing the impact of TechnoServe's scarce resources.

In addition and magnifying these difficulties, there has been considerable conceptual and definitional ambiguity with respect to the network concept. The Team noted that there was wide divergence of view within TechnoServe regarding the meaning of the term and broad skepticism with respect to its functional utility. Several respondents indicated that the idea of the "network" was grantsmanship hyperbole and that "networking" is something that is done as a routine part of the development business. Others felt that the network was a euphemism for improved internal communications, an objective which should be pursued in any case.

The Evaluation Team formulated the following conclusions with respect to the TechnoServe "network".

- The broad vision set forth in the matching grant has not been achieved. While the TechnoServe Country Programs are certainly more self directed and one autonomous entity has been established, TechnoServe has been slow and indeed reluctant to push its other Country Programs to greater independence.

- While at variance with the objectives of the Matching Grant, it is not persuasively clear that this slow progress reflects a programmatic or institutional failure.

> The idea of "graduation", local autonomy and the creation of indigenous capacity is conceptually alluring but immensely complex and difficult to achieve. The Evaluation Team agrees with TechnoServe staff that it is not always clear that the creation of autonomous entities is desirable.

> There are significant risks to the premature establishment of a local independent entity including the difficulty of maintaining program integrity, foregone access to offshore funding sources, the emergence of divisive governance issues and the surfacing of political entanglements. There is evidence that formal oversight linkages with the parent entity should be preserved for an extensive period of time.

> Established Country programs should not be prematurely jettisoned absent a careful cost/benefit analysis that includes the start-up cost of establishing the program in the first place and an assessment of the capacity of an existing program to leverage funds.

At the same time, the Evaluation Team strongly believes that TechnoServe should continue to pursue alternative models and practical strategies that will move

individual country programs toward a greater degree of local autonomy and better position them for ultimate independence. **An appreciation of the difficulties and cost/benefit issues involved in graduation should not invalidate the long term goal of creating locally owned institutional capacity or preclude careful planning for that eventuality.** Planning for independence and autonomy will have the following benefits:

- The development of a plan for eventual autonomy will highlight institutional weaknesses and encourage preemptive steps that should be taken to ensure organizational sustainability in the face of unpredictable developments such as a political crisis or the sudden loss of a major grant.

- The process of thinking about the end of the relationship with a parent organization and designing the structure that would be put in place when that relationship terminates significantly improves the prospect of institutional sustainability.

- There are strong and legitimate ideological pressures for so called "indigenization" in most developing countries. Despite the negative cost/benefit consequences, these should be anticipated, respected and considered.

- There may be sound practical benefits to a strategy of local autonomy including improved access to local funding sources, increased availability of other donor funding, closer dialogue with policy makers, etc.

- Finally and importantly, the spinning off of viable independent entities may free scarce organizational resources to use in other country programs.

The Team believes that **the approach to "graduation" (broadly defined) should be guided by the operative premise that all Country Programs will ultimately become independent and autonomous at some future point in time.** While this premise should be refutable on the basis of analysis, it should serve as a more compelling guide to TechnoServe's thinking about its future than is currently the case. Accordingly, the Team recommends the following:

- TechnoServe should develop a set of guiding criteria and related policy guidelines with respect to the evolution and "graduation" of its country programs in order to give structure and coherence to the planning process. This should include alternative graduation models, an assessment of different legal structures, governance structures and staffing patterns. This work should in particular focus on ways of sustaining program coherence and consistency among a group of loosely affiliated entities

- TechnoServe should encourage its subsidiary units to reach greater and greater degrees of independence over time and to gradually and systematically assume the functional attributes of an indigenous organization. This may or may not culminate in full autonomy or local ownership and control.

- TechnoServe should encourage **all** of its country programs to address the pros and cons of local independence as part of its multi-year country based strategic planning process.

- Finally, TechnoServe should develop a policy and set of guiding criteria with respect to the phase out and termination of country programs that are persistently performing below potential.

In summary, the Evaluation Team would give TechnoServe a mixed report on the topic .of "networking" and "graduation". On the one hand, the Team is sensitive to the complexity of this issue, to the oversimplified approach to "indigenization" and the legitimate reluctance to spin off Country Programs that have been carefully nurtured at considerable cost. However, TechnoServe has been slow to grapple with these policy issues and with the ambiguities inherent in the oversimplified emphasis on autonomy. They have not developed a clear and coherent road map with respect to the network or a workable set of policy guidelines with regard to graduation.

"The 'network' is made up of all the donors and all the PVOs and NGOs here in the country.

The 'network'? Oh, that's all the companies and foundations that support TechnoServe.

Well I guess it means all those organizations all over the world that TechnoServe has worked with at one time or another.

Networking - - - that's just what you do to get the job done. A stroke here and a stroke there."

Various reactions to the question: "What is the TechnoServe network?"

III. Field Implementation

A. Effectiveness of model/concept

The Evaluation Team was favorably impressed with the conceptual integrity of the TechnoServe approach to enterprise development and with the manner that the TechnoServe "model" is implemented in the field. TechnoServe's programs are clearly having a very significant positive impact and TechnoServe gets high marks for its excellent staff, its focused approach, and for its well established technical understanding of the field in which it is working. The Evaluation Team was particularly impressed with the following:

- The consistency between what TechnoServe does and what it believes and the self discipline to apply the TechnoServe model in a consistent and rigorous fashion.

- The technical soundness of the basic CBE approach including businesslike tone and style of the dialogue, the emphasis on a contractual understanding, the design of a long term relationship and the priority placed on local solutions and problem solving.

- The attitude and style that TechnoServe brings to a CBE relationship including professionalism, attention to detail, consistency of approach, self discipline, patience and a high level of expectations.

- TechnoServe's institutional capacity to adapt the CBE model to local country conditions and to local opportunities without doing fundamental disservice to the basic approach.

- TechnoServe's capacity to forge creative relations with a wide variety of providing and supporting institutions including USAID missions, government agencies, other PVOs and NGOs and international and bilateral donors.

- The Technical quality of staff and their commitment to and understanding of enterprise development.

> *"In El Salvador, TechnoServe's projects are having a very significant impact. In the CBE's visited, the positive impact on the economic and social welfare of the participants was very visible. The cooperatives are being better managed and limited resources are being better utilized. Jobs have been created, production and productivity increased and this has translated into better housing, education and health services for cooperative members....In the CBE's visited, income levels of coop members are dramatically higher than for non-coop members. A coop in Lajas, for example, has been distributing a dividend of $2000 per member per year.*

> *When added to other benefits this translates into a family income of $5000 per year compared to non-cooperative members whose family incomes were roughly $600 per year.* " Excerpt from field notes of a member of the Evaluation Team.

In the context of a strongly positive assessment of TechnoServe's field performance and technical capacity, the Evaluation Team has taken note of the debate within the Company with respect to application of the CBE model and permissible degrees of deviation from established doctrine. There continues to be concern among TechnoServe staff that the CBE emphasis is too narrow and constraining, that it is outdated and needs to be modernized to meet the conditions of the '90s. There is a widespread perception that the Center is doctrinaire and inflexible, that opportunities are being lost and that the full TechnoServe story is not being told. To an outsider, these debates sometimes appear theoretical since in fact TechnoServe has been effective in applying the CBE approach to different country situations. On balance, the Evaluation Team believes that the content of the debate about new approaches is healthy and that it is emblematic of an organization in the process of adjusting to changing external conditions. At the same time, the Team believes that the internal climate in which this debate occurs is sometimes dysfunctional and that communication is not as open and constructive as it should be in an organization that has been as fundamentally successful as TechnoServe. The Team believes that this climate can be improved through:

- A more participatory, field based planning process.

- Reconstitution of a stronger internal analytical capacity which can objectively evaluate the pros and cons of deviations from the core approach.

- Clarification of the functions of the Center designed to strengthen its support role and to minimize perceived instances of "second guessing", overlap and redundancy.

- An increased effort to improve and facilitate communications between country programs and to share "lessons learned".

> *Opportunity or Failure, a classic dilemma. The Ntinako palm oil mill in Ghana is a flagship project. It's been in successful operation for ten years, has been visited by dozens of TechnoServe guests and evaluators and is featured as a success story in the 1994 Annual Report. But Ntinako is in trouble. The managers say TechnoServe is at fault. They claim that the new palm oil mill that TechnoServe established in a nearby village is siphoning off a limited supply of palm oil nuts, that there is not enough to go*

34

> *around and that the Cooperative doesn't have the money to buy a truck to bring in palm nuts from further afield. An examination of Ntinako's production records indicates that, indeed, production is way down and that the viability of the Cooperative is deeply in doubt. But is it and what has happened? A visit to the neighboring palm oil mill complicates the picture. They are successful but their consumption of nuts accounts for only a small part of the Ntinako decline. Something else is happening. In part it is the result of a regional drought, in part poor pricing policy, in part a decline in the human energy level at the Ntinako Plant and, perhaps, simply the result of poor bookkeeping. This is a highly complex business challenge requiring financial, economic and organizational skills. Most importantly, it is a teaching laboratory - - a chance for TechnoServe to use a crisis as a learning device.*

B. Problems Faced in Implementation

While impressed with overall implementation performance, the Evaluation Team identified several areas of concern relevant to TechnoServe's impact and future growth.

- **The issue of "critical mass".** While the concept of "critical mass" is intuitively clear, the specific attributes are difficult to identify. In the judgment of the Evaluation Team, some of TechnoServe's country programs are functioning below a staff and resource level capable of putting the program on a self sustaining basis. The quality of intervention is high but the level of impact is below that needed to trigger replication and the in-country profile is less than required to attract financial support. This becomes sharply apparent in comparison to those countries that have reached a level of operation where synergy's occur between projects and as a consequence of wide array of contacts in the public and private sector. The Evaluation Team understand that this is a challenging management issue and that TechnoServe is operating under severe resource constraints. Determination of an optimal staff and program level for any country is very difficult. While the Team does not have any easy prescriptions, it would encourage TechnoServe to analyze the attributes of "critical mass", develop benchmark models and evaluate individual country programs from this perspective. The Team also believes that the issue of critical mass is a legitimate subject for consideration under a follow-on matching grant, should that materialize.

- **The evolution of the TechnoServe/client relationship.** To its credit, TechnoServe has shown the self discipline to step away from a relationship when the agreement has been completed, when the client has demonstrated a capacity to manage its own affairs or when the intervention is not having a constructive consequence. The downside of this positive attribute is that

TechnoServe may have missed opportunities to help organizations with higher level management challenges and may have foregone the opportunity to benefit from income that could have been earned in return for these services. While the Evaluation Team does not want to encourage the development of dependency relations, it does believe that TechnoServe could be more active in staying with its clients as they mature and that this sustained relationship can be of mutual benefit. This means identifying what types of services the client will need and developing that competence in anticipation of that need. It also means developing an early understanding within the client organization of the principle and importance of paying for services that are provided.

> *El Castano is an 82 member women's cooperative in the Department of Sansonate in El Salvador that manages a small but highly successful cannery that processes tomato catsup, tomato paste and fruit juices. TechnoServe began working with El Castano in 1981 helping with the basics of bookkeeping, budgeting, financial and personnel management, terminating the relationship in 1989 because the cooperative was able to operate on its own and had outgrown the type of support that TechnoServe was providing. While El Castano was moderately successful, it still faced major challenges including the need for more careful long range strategic planning, a more sophisticated ability to do market research and to evaluate the market for new products and the need to modernize its very limited data processing capacity. The Cooperative does make a small profit but could do much better. Should the relation have been terminated or should TechnoServe have developed advanced programs to help El Castano as it matured -- programs that could have been fully paid for and could have helped TechnoServe underwrite its programs for poorer organizations?*

- **The importance of exit strategies.** In general, TechnoServe gets good marks for its toughness and self discipline in winding down relationships according to schedule and in terminating unproductive interventions. Nevertheless, the Evaluation Team believes that TechnoServe should place greater emphasis on exit planning and that it should incorporate an explicit termination strategy as an integral part of every client agreement. Exit planning is healthy because it discourages dependency relations, identifies institutional characteristics that need priority attention and underscores the value of the assistance that is being provided in the interim. Most importantly, when implemented it frees up funds for productive investment in other enterprises. In a related vein, the

Evaluation Team noted a few instances where TechnoServe was slow to phase down or terminate a working relationship with a client organization despite the fact that the relationship had reached a point of minimal productivity. In these instances, continued support was justified on the basis of preserving a "sunk investment" of resources - - not on the basis of the spread effect that that assistance will have. In these instances, the Evaluation Team believes that TechnoServe should be encouraged to develop and implement a phase-out plan that will maximize the benefit stream and free resource for other interventions.

- **Waiving the service fee.** The Evaluation Team was surprised to note several cases where TechnoServe had waived the established policy with respect to fee for service. This is an important bed-rock principle rooted in the belief that it is important to for organizations to be aware of and account for costs if they are to make informed financial decisions about their future.

Finally, the Evaluation Team was struck with the critical importance of training techniques and methodologies in conveying enterprise skills, techniques and attitudes. Because TechnoServe field staff are skilled and experienced they generally employ training approaches that communicate clearly and that are effective in altering behavior. At the same time, the Evaluation Team believes that TechnoServe could give greater emphasis to understanding adult training techniques, developing innovative training methodologies and to the systematic exploration what approaches work best in different contexts. Mindful of resources constraints, the Team believes TechnoServe should consider the full or part time services of a training officer who could work with the country programs to improve the impact of their work.

D. Progress Toward Decentralization and Further Steps

TechnoServe has approached decentralization seriously and systematically. They have been particularly successful in decentralizing administrative and financial accounting functions and in training local staff in such areas as personnel and financial management. The Evaluation Team is supportive of these positive efforts and believes TechnoServe deserves considerable credit for taking this initiative. Additional field training does, however, need to be provided in the area of fund raising and in assistance to the Country Programs in identifying and cultivating funding sources.

At the same time, and as discussed elsewhere, within the Country Programs there is considerable confusion with respect to the role of the Center and some frustration with respect to a perceived overlay of doctrinal control. The Evaluation Team believes that this tension is serious and needs to be addressed. It offers the following observations and suggestions:

- The **functions** of the Center need to be clarified and better explained. This should include a clear policy statement that addresses functions and

responsibilities as well as a deliberate attempt to explain the pressures, challenges and difficulties that Norwalk staff face and to create greater empathetic understanding in the field.

- The role of the Center needs to be reviewed and clarified. It is currently not clear whether Norwalk operates in a support or oversight capacity. A support role suggests a style and approach that is quite different from a supervisory oversight role. This is particularly problematic with regard to reporting relationship between the Regional and Country Directors.

- The policy functions of the Center needs to be strengthened. A major challenge to TechnoServe will be the adaptation of its program to changing conditions and the simultaneous retention of a core identity. This will require a strong analytical capability that can:

    Evaluate experimental approaches and gauge their relevance to other country situations;

    Act as a transmission belt of ideas and lessons learned between country programs

    Feed new ideas and state of the art applications from other development agencies to the country programs in a context that is useful and adaptive.

    Ensure overall program consistency and coherence.

    Challenge conventional thinking and raise skeptical questions about fashionable innovations.

    Collect, analyze and disseminate the TechnoServe experience to the broader external development community.

> *Centralized decisions in the Home Office are not always most effective because decision makers are far removed from field realities. Central decisions also tend to be biased towards Home Office needs....The current distribution of Home Office responsibilities is unclear. Key areas such as grants management, R&D, staff development and training and government relations do not get the attention they should receive. Lack of consistent definition of some roles and functions ... has affected the Home Office's ability to adequately cover supporting service needs.*
> Excerpt from the 1995-97 Draft Strategic Plan.

E. The USAID relationship

The nature and content of the relationship with USAID is important to both TechnoServe and USAID. It is important to TechnoServe because roughly half of the TechnoServe budget is funded by USAID and it is important to USAID because TechnoServe is an important implementing agent for the Agency and represents a significant investment of Agency resources. In addition, USAID is currently exploring the policy implications of a more fundamental shift toward reliance on the capacities of American PVOs to implement US foreign assistance - - the "privatization of foreign aid." From this perspective, a successful partnership relations with an organization like TechnoServe offers a relevant case study to inform the policy process.

The Office of Private and Voluntary Cooperation is currently completing a strategic plan based on a systematic process of identifying strategic objectives and the necessary steps to reach those objectives. The current structure of objectives places emphasis on a strengthened partnership with PVOs in order to increase their capability to deliver sustainable services. While this evaluation focused on institutional issues and on progress against the objectives set forth in the matching grant, the Evaluation Team did visit five USAID countries and was able to develop impressions with respect to the nature of the relationship or "partnership" between USAID and TechnoServe that may be of relevance in the design of subsequent Matching Grant funding instruments.

- The nature of the USAID/TechnoServe relationship is highly variable depending on the country, the nature of the USAID program and the personalities and inclinations of the individuals involved. It ranges from a very close and effective working partnership to a situation of limited contact and imperfect communication.

- The most effective USAID/TechnoServe relationship is characterized by: frequent formal and informal consultation, and close collaboration on matters of basic tactics. In this instance, TechnoServe functioned both as an implementing agent pursuant to a mission funded project and as independent non-governmental organization whose technical expertise and insights are respected and informally available to the USAID mission. The TechnoServe Office has established a wide range of relations with government and other private and public donors which complements the Mission's information base. TechnoServe appears to have a good understanding of mission priorities and the mission appears to understand TechnoServe's program and the pressures and constraints under which it functions. (In particular, they were aware of the PVC Matching Grant and the importance of unrestricted funding. For the Evaluation Team, they made a strong effort to demonstrate their pleasure with TechnoServe.) Neither USAID or TechnoServe appeared to feel compelled to become formally involved in the other's planning process - - the separation and independence of each was respected and preserved

- In the least effective relationship, mission priorities appear to preclude a funding relationship with TechnoServe (only indigenous NGOs receive support), the mission was poorly informed about the TechnoServe program and the perceptions, to the extent they did exist, tended to be inaccurate. There was little understanding of the immense difficulties that TechnoServe faced in operating in this particular country and little attempt to establish ongoing communications. (Ironically, in this situation and on the basis of limited information it did appear to the Evaluation Team that Funding for TechnoServe would have been highly appropriate if it were not for the heavy emphasis on local legal status - - although the local TechnoServe office was in fact managed entirely by local staff.)

- In the case of a moderately effective relationship, the USAID mission had been an important source of support through a cooperative agreement for 12 years. This funding had recently and abruptly ended triggering a sharp and painful cut back of TechnoServe in-country staff. While the Mission felt positive about TechnoServe's performance, they concluded that the cut back was due to unavoidable budgetary realities. In this country, communications between TechnoServe and the Mission were cordial but not close or active with periodic misunderstandings. Contact with the Mission was infrequent, limited to progress under the Cooperative Agreement and, according to the Mission, did not involve dialogue on important sectoral or policy issues despite TechnoServe's apparent competence in those areas.

On the basis of these and the other country visits, the Evaluation Team formulated the following conclusions:

- The reality of a working in-country partnership is infrequent but feasible. In those instances where USAID and TechnoServe have been able to establish a strong working relationship, both sides benefit substantially.

- A good working relationship derives from perceived complimentarities that derive from technical skills, external relations and different but fundamentally compatible perspectives and values.

- A good working relationship is characterized by: an understanding of the funding realities and institutional constraints faced by each organization; an implementing relationship for TechnoServe that encourages operational involvement with the Mission; a capacity on TechnoServe's part to cultivate relationships and market the TechnoServe product and contacts and relationships with a range of private and government organizations that complements the missions contacts.

- Injunctions from the USAID Center to work together and plan together are not particularly relevant to an effective relationship.

- Unilateral actions of a USAID mission can have important organization-wide impact on a PVO not only because headquarters funding is affected but because the loss of an important Mission funded grant can trigger a cut in personnel and hurt morale. While it would be inappropriate to expect centrally funded and Mission funded programs to function in lock-step, it is important that there be better communication and that inevitable allocation of budgetary pain be handled in a way that will ameliorate its institutional destructiveness.

TechnoServe Ghana and the NPI[10]Is the "NPI" a workable concept or just a rhetorical flourish? If the USAID relationship with TechnoServe in Ghana is an example, NPI is alive and well. TechnoServe has been working in Ghana since 1972. They know the country, the government, the donors and the PVO/NGO community. Importantly the know how to deal with USAID and how to be a useful and active ally in the pursuit of mutual development goals. TechnoServe/Ghana receives project funds, local currency from Title II and money from the Matching Grant. They have a close working relationship with the Mission that ranges from frequent, informal exchange to preparation of research reports to advice on design of new Mission programs. The Mission draws on TechnoServe's knowledge of local conditions and TechnoServe benefits from access to the Mission's policy analysis and analytical thinking. Most importantly, the programs are similar. TechnoServe's work with local farmer cooperatives is linked to the Mission's efforts to promote non-traditional exports and TechnoServe studies have been instrumental in shaping Mission policy on mircroenterprise. The relationship is characterized by mutual respect - - the TechnoServe staff have a good understanding of the pressures and bureaucratic imperatives that the Mission must live with and the Mission has high regard for TechnoServe's technical competence and strong commitment to Ghana's development. What does a true partnership require? In Ghana's case it is based on an in-country TechnoServe presence of nearly 25 years, a large program and highly competent support staff, extensive contacts in the more remote rural areas and the in-country presence of some of TechnoServe's best and most experience staff. (The new President of TechnoServe is the current Ghana Country Director.)

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[10] The "NPI" is the New Partnership Initiative announced by Vice President Gore and designed to encourage a more active and vigorous policy of cooperation between USAID and the PVO/NGO communities.

IV. Progress toward reaching Program Goals

The following table summarizes progress to date in achieving the key quantifiable targets of the Matching Grant Agreement.

Output Indicator	Proposal Target	Actual to Date
Community Based Enterprises Assisted	300-400	266
Development Institutions Assisted	30-40	36
Autonomous Self-funded programs	2-3	0
Collaborating Affiliate Organizations	3-5	2
Semi-autonomous Country Programs	6-8	2
New Country Programs Established	2	1
MIS Training Seminars	36	48
Decentralized Training Sessions	150-200	266
Counterpart Training Seminars	150-200	185
International Network Conferences	2	2
Cost-Effectiveness Conferences	1	1

V. Conclusions

The Evaluation Team concludes that the fundamental purpose of the Matching Grant has been achieved, i.e. as a consequence of the Matching Grant, TechnoServe has provided improved and expanded technical assistance to an increased number of small and medium size rural community based enterprises in Africa and Latin America and has been able to assist larger numbers of the rural poor to participate in viable and sustainable enterprise. This has been accomplished in part by strengthening TechnoServe's internal institutional structure, its network of external relations, and by supporting new country and program expansion, as envisioned in the Grant.

Technoserve is a mature, professional development agency with a clear and well articulated focus, a strong sense of corporate identity and a very competent, dedicated and motivated staff. Over the years, TechnoServe has been able to fashion a highly effective methodology for supporting the growth of community based agricultural enterprise and has been able to successfully implement this approach with significant positive benefits to project participants. TechnoServe's approach is effective because it emphasizes fundamental shifts in attitude and approach, stresses financial viability and institutional sustainability, and is technically sound.

TechnoServe's institutional strengths include thirty five years of accumulated experience, a strong sense of corporate identity, a clear and consistent focus on community based development and a remarkably competent staff complement. The Company has designed and installed a full panoply of systems, procedures, guidelines and policies that constitute the basic organizational infrastructure of a professional development agency. During the last five years, TechnoServe, with support from the Matching Grant, has been able to carry out a process of organizational decentralization which has strengthened the individual country programs and the Company's overall capacity to design and manage a diverse worldwide portfolio of programs.

Although TechnoServe has been highly successful in what it does, the Company is approaching a critical transition period and needs to squarely face and deal with a number of internal and external challenges of an institutional and programmatic nature. Institutionally, these include the effective management of the Company's first executive transition, a broadening and deepening of the base of financial support, the design of a better structure of relationships and communications between the Center and the Country Programs and decentralization of the planning process.

Programmatically, TechnoServe needs to take steps to ensure that its approach to community based development reflects the trends and market conditions of the 1990's. This will require the introduction of a greater degree of freedom and openness to experimentation, more active approach to strengthening autonomy and fostering independence and a strengthened capacity to learn from experience and transmit those insights throughout the organization.

Cutting across both sets of challenges is the need to strengthen TechnoServe's analytical and self learning capacity both in Norwalk and in the field. A stronger capacity to explore institutional and programmatic innovations and to internally transmit lessons learned will be critically important to the Company's ability to make the adaptive changes that the Evaluation Team believes will be critical to its future success. A strengthened analytical capacity will also be important during the executive transition and will give the new President an important resource for exploring the pros and cons of alternative strategic options.

TechnoServe is currently in the process of completing and formally adopting a strategic plan that will provide policy direction during the critical executive transition period. Many of the concerns that are raised in this evaluation are addressed in that document and the findings and recommendations are largely consistent with the material set forth in this evaluation.

Where it has matured, the TechnoServe/USAID relationship is emblematic of the type of public/private sector partnership envisioned in the popular, often rhetorical, language dealing with "partnership". In these instance, USAID and TechnoServe function in a collaborative and mutually supportive mode which is beneficial to both and to the development objectives which they are pursuing.

This evaluation has touched on themes that could be echoed and explicitly given support in a subsequent Matching Grant should that materialize. These include:

> **Policy Analysis and Research.** Supporting the development of a strengthened analytical capacity to do policy analysis, evaluate the pros and cons of alternative program initiatives, prepare case studies, act as an internal information conveyer belt and support the new President.

> **Critical mass at the Country Program level.** Building a critical mass of institutional capacity in a selected number of Country Programs in order to get these programs "up and running" and on a self sustaining basis. This would require a larger, sustained and concentrated application of Matching Grant resources to a fewer number of countries than is the case under the current Matching Grant.

> **Country based planning.** The design and implementation of a decentralized, multi-year, country based planning process. This could take the form of augmented staff, technical consultant assistance and additional travel funds

> **Program experimentation and "modernization".** Support for program initiatives and studies and analysis of trends and market developments that could influence the content and direction of the TechnoServe program and for the testing of related program initiatives.

Strengthening and clarifying the role and functions of the center.

VI. Recommendations

The Following Recommendations are in the approximate order discussed in the Evaluation Report.

1. Institutional Change

Structured process for change. TechnoServe should structure a deliberate "change process" that is inclusive and participatory and responsive to the needs and perceptions of the Country Directors. This effort should encompass program experimentation and modernization and be linked to the strategic planning process.

Policy planning during the transition. A small Policy Planning unit (or function) should be established to support the President during and, if desired, beyond the transition period.

Research, analysis and self learning. TechnoServe should strengthen its capacity to do applied research, analysis and policy planning by reconstituting a capacity similar to that provided by the disbanded R&D Department. This initiative should reflect the decentralized structure. The stronger analytical capacity should be made resident both at the Center and in the field.

Risk avoidance and funding diversification. TechnoServe needs to re-double its efforts to diversify its funding base in view of the perilous situation facing its largest supporter. This effort needs to explicitly include the development of "worst case" scenarios and contingency plans should USAID funding deteriorate significantly.

2. Program Adaptation

Program experimentation. TechnoServe should make a deliberate effort to encourage greater program experimentation by reviewing and revising relevant policy guidelines and by taking steps within the Company to create an atmosphere of greater openness.

Program "modernization". TechnoServe should review the basic CBE approach with particular reference to its relevance to current trends and market conditions. This review should, for example, focus on credit, advanced marketing techniques, export development, strategic planning, governance and computer know how.

3. Decentralization and Relations between the Center and the Field

Re-defining the role of the Center. TechnoServe needs to redefine the role and recast the functions of the Center to be more responsive to the field. This will involve shifts in attitude and the development of a team approach that places emphasis on facilitation and support as opposed to oversight and control. This shift in emphasis needs to be done carefully in order to sustain a coherent and integrated institutional identity.

Improving communications. TechnoServe should make a strong effort to improve communication and understanding through field based planning, a facilitative team approach, adoption of improved communications technology, the re-establishment of the R&D functions and a general shift in attitude which stresses the support role of the Center.

Improving field understanding of Norwalk's role and function. TechnoServe should make a strong effort to educate and sensitize field staff regarding the role, function and importance of the Center and the difficulties of coordinating a diverse range of field programs.

Decentralize implementation planning. The locus of the planning process should be shifted to the field and the Company's overall Implementation Plan should be built upon and derived from the individual country plans.

Multi-year planning. Country Programs should develop multi-year program plans. Consideration should be given to the formulation of "contractual" commitments between the Center and the County Programs regarding levels of resource support to be provided by the Center and the level to be generated locally.

Country program fund raising. TechnoServe needs to increase the level of fund raising support provided to the country programs.

4. Field Implementation

Defining "critical mass". TechnoServe should develop a clearer conception of what constitutes an effective critical mass for a Country Program. Both TechnoServe and USAID may wish to incorporate the concept of "critical mass" in the next Matching Grant should that materialize.

The maturation of the TechnoServe/client relationship. TechnoServe should consider whether and to what extent advanced consulting services should be designed and made available to long standing clients to reflect their growing

needs and as a potential source of revenue for the Company. Policy guidelines should be prepared and issued on this subject.

Exit strategies. TechnoServe should develop clearer guidelines with respect to the design of an exit strategy in each of its CBE relationships and should incorporate an exit strategy in each of its understandings with a client.

Training techniques and methodologies. The impact of training could be increased by strengthening TechnoServe's understanding of the dynamics of adult education and skill transfer. TechnoServe should consider employing a training officer who could work with the country programs to increase the effectiveness of their training interventions.

Strengthening the Field Date Base System. TechnoServe should incorporate indirect measures of progress in its effective field data base system.

5. The TechnoServe "network".

Clarifying policy. TechnoServe should develop a policy statement that addresses the conceptual and definitional issues inherent in the "network" concept.

Structures to encourage graduation. TechnoServe should develop alternative "independence" models and practical strategies that will be available to individual country programs and that will encourage them to consider and move toward greater degrees of autonomy and independence.

Attitudes toward autonomy. TechnoServe should initiate internal discussions and related policy analysis regarding the pros and cons of different forms of autonomy and should ask all of its country programs to address this issue as an integral part of the planning process.

Graduation and phase out policy. TechnoServe should develop a set of criteria and guidelines dealing with the maturation, evolution and ultimate independence and/or phase out of country programs.

6. The USAID relationship

Use as a learning model. TechnoServe and USAID should develop a case study of an effective partnership relationship that deals candidly and as objectively as possible with the difficulties of balancing different perspectives and organizational needs.

Subsequent Matching Grant support. If follow on Matching Grant support materializes, the purpose of the grant should address the challenges and issues discussed in this Evaluation.

SCOPE OF WORK
(3/21/95, rev. 3/31, rev 4/23, rev 4/25 -SL)

for the Final Evaluation of TechnoServe's
Accelerating Rural Development Through the TechnoServe Network (ARD) Project
Cooperative Agreement PDC-0158-A-00-1100-02

1.   INTRODUCTION

In May 1990, TechnoServe's Board of Directors articulated a new vision for the agency, calling for an accelerated "New Directions" program to develop and install innovative modes of field activity and new internal support structures to enable TechnoServe to dramatically improve and expand its services to small and medium-scale rural community-based enterprises in Africa and Latin America. The following year, TechnoServe requested and was granted a five-year Matching Grant by AID/FVA/PVC in support of these new initiatives as expressed in the Accelerating Rural Development Through the TechnoServe Network (ARD) Project. This ARD Project is the fourth in a series of core funding grants from PVC.

This $4,500,000 grant was awarded in September, 1991,"to provide support for TechnoServe to provide improved and expanded technical assistance programs to increased numbers of small- and medium-sized rural community-based enterprises in Africa and Latin America and thus achieve increased and successful participation and integration of low-income farmers in developing countries into market-oriented economies."

A mid-term evaluation was carried out in September, 1993. This final evaluation has been scheduled to be completed in time for the review of any follow-on grant request.

2.   GOAL AND PURPOSE OF PROJECT

The goal of the ARD Project is the increased and successful participation and integration of low-income farmers in developing countries into market-oriented economies through the development of sustainable community-based rural enterprises which improve productivity, and contribute to community development and national prosperity.

The purpose of the Project is to provide support for TechnoServe to: provide improved and expanded technical assistance programs, directly and indirectly, to increased numbers of small and medium-sized rural community-based enterprises in Africa and Latin America, and thus effectively assist larger numbers of the rural poor to participate in viable, environmentally sound, market-oriented agricultural production, processing, marketing, and business organizations.

3. PURPOSE OF THE EVALUATION

The primary purpose of this final evaluation is to analyze and assess TechnoServe's progress in achieving Project objectives, as stated in the Project Grant Agreement and the Project Proposal (as revised 5/1/91), and as described in the associated Logical Framework Matrix and Implementation Plan.

The evaluation process and final report is intended to result in recommendations for positioning TechnoServe to continue its long partnership with AID/PVC.

4. EVALUATION QUESTIONS

The Project has three major interlinked components:

Rural Enterprise Development: the direct support of TechnoServe's field-levelenterprise development activities.

Institution Building - External: the direct support of Technoserve's field-level local institutional building/strengthening activities.

Institution Building - Internal: the support of TechnoServe's efforts to improve and expand its overall developmental impact via improved methods and modes of organizational management and structure.

For this evaluation these have been divided into two categories: institutional strengthening and field implementation. A third category, "Other Particular Questions," raises significant and relevant issues that go beyond the confines of this specific grant.

4.1 Institutional Strengthening

A key aspect of the ARD Project is the internal development of TechnoServe, Inc. as an effective enterprise development organization. The Project was designed to enhance overall institutional impact and efficiency by decentralization of the agency's administrative and management systems to strengthened local field operations making use of enhanced and appropriate systems. Concurrently, the TechnoServe Network was to be developed as a means to improve the effectiveness of the whole through expansion and improvements in inter-program collaborations and internal communications among the parts.

This evaluation will assess the progress made in this process by considering the following questions:

1) What were the original objectives for decentralization? Are they still valid?
2) Has TechnoServe's strategy for decentralization been carried out? What have been the results? What has worked? What hasn't? Why?
3) Are the objectives and intended benefits of the TechnoServe Network understood within TechnoServe?

2

4) What progress has been made in creating the TechnoServe Network? Does this remain a valid concept and institutional goal? What more needs to be done?

5) Have two new country programs been established? Is TechnoServe's approach to developing new country programs appropriate and effective?

6) What progress has been made regarding the development of a graduation policy for country program activities?

4.2 Field Implementation

The Matching Grant is meant to support TechnoServe in improving and expanding the impact of its enterprise development activities in Africa and Latin America. This evaluation will visit five country programs, where it will consider the following questions:

1) What has been the overall progress towards achieving local Program and Project objectives? What has been successful? What hasn't? Why?

2) Has decentralization and network formation led to improved local management capability of TechnoServe's country programs? If so, how? What accounts for this?

3) Are these programs more self-directed/autonomous in their decision-making? How has the program benefitted as a result?

4) What are the benefits/costs of this decentralization, i.e. to the program?

5) What is the nature and quality of the support needed and received from TechnoServe/Norwalk? Does this appear cost-effective? Are there in-country local alternatives for this support?

6) How are program and project level environmental, social (including gender), and economic impacts evaluated?

7) Does sector focus lead to greater impact? to an increased voice in policy matters?

8) How does the local program relate to USAID and its local priorities?

9) How does local program planning and implementation take account of the interests and capabilities of other public and private organizations? How have these ties been created and maintained?

10) What are the prospects for developing a CBE graduation strategy, policy?

4.3 Other Particular Questions

1) Does TechnoServe's current long-term thinking and planning position it to expand its overall impact and effectiveness as an enterprise development agency into the 21st century? If not, what changes might be made to the plan to expand its impact and effectiveness?

3

5. EVALUATION METHOD AND PROCEDURES

5.1 Evaluation Team Composition

The evaluation team will be comprised of four people: the FVA/PVC Project Officer; an external evaluator (nominated by TechnoServe and approved by the FVA/PVC Project Officer); and two TechnoServe representatives.

The external evaluator will serve as the Evaluation Team Leader and be the primary author of the final report. One TechnoServe representative will be the primary TechnoServe contact for the evaluation and coordinate all logistical arrangements. The FVA/PVC Project Officer will not directly participate in elements of the evaluation involving travel outside of the U.S.

The external evaluator and Team Leader will be a senior development professional with extensive enterprise development experience in Latin America and/or Africa. S(he) will have significant prior experience in the organization and management of U.S. international development PVOs. S(he) will hold an advanced degree in economics, management, or related discipline, be a skilled writer, and have prior experience in AID evaluations.

5.2 Evaluation Schedule

The anticipated schedule for the evaluation is:

Activity	Dates
Document review, preliminary planning, and questionnaire preparation	May 22 - May 26
Team planning and interviews in Norwalk	May 30 - Jun 2
Travel to Africa	Jun 5 - Jun 18
Travel to Latin America	Jul 3 - Jul 21
Draft Report completed	July 31
Discussions in Norwalk	Aug 3 - Aug 4
Final Report completed	Aug 11
Final debriefing in Norwalk	To be determined

The evaluation process shall begin with a review of basic grant and program documents. This will be followed by four days of planning, discussion, and interviews with key TechnoServe personnel and Board members in Norwalk, CT. An outside facilitator may be

4

used in the early planning stages. While in Norwalk the team will have access to materials pertinent to accounting, budgeting, planning, project implementation and management information.

During this early planning phase, the team will focus and define the evaluation questions in this Scope of Work, creating a detailed and pragmatic evaluation plan responsive to the evaluation's main purposes.

5.3   Project Documentation

As part of its overall orientation to TechnoServe and this Matching Grant, the Evaluation Team shall have access to a range of relevant project and organizational documents. Among these shall be:

> TechnoServe's Matching Grant proposal (as revised, 5/91)
> The Matching Grant Agreement, with amendments.
> The Mid-Term Evaluation Final Report.
> All Matching Grant Reports, to date.
> TechnoServe's Field-Data Base Reports.
> TechnoServe Annual Reports
> ARD Project Logical Framework (The logframe matrix is attached to this SOW)
> ARD Project Implementation Plan
> Replication and Policy Analysis (R&PA) reports and studies
> Planning and Policy Documents

6.0   REPORT FORMAT

The report will be concise (no more than 50 single-spaced, typewritten pages), appropriately organized, and to-the-point. The presentation of the final report should be guided by the basic outline below:

> Title Page
> List of Acronyms (if necessary)
> AID Evaluation Summary Report
> Executive Summary (under 5 pages)
> Table of Contents (with Appendices, Figures, and Tables)
> Main Report (organized in accordance evaluation questions in the SOW)
> <u>Appendices</u>
> Appendix 1.   Scope of Work
> Appendix 2.   Evaluation Team Itinerary
> Appendix 3.   Individuals Contacted
> Appendix 4.   References Consulted
> Appendix 5.   (As needed)

Note: These Evaluation Questions are designed to:

- Structure and help prioritize the process of gathering information.

- Insure a common and reasonably uniform base of information;

- Suggest issues and concerns that need to be addressed.

- Provide a vehicle for recording impressions, supportive anecdotal information and relevant case examples.

It is not expected that all questions will be covered in all interviews and there are many topics that are not addressed in the following series of questions.

The following contains a topical list of categories of inquiry and an illustrative question or series of questions related to that topic, in italics. It is keyed roughly to the Scope of Work.)

A. Progress Toward Achieving Progress Objectives

(Raise questions or attempt to collect data related to the following anticipated outputs)

1. Increased numbers of economically viable, environmentally sustainable rural enterprises (300 to 400 CBE's and 30 to 40 development institutions.)

2. Innovative institutional partnerships.(2 to 3 autonomous, largely self funded country programs; 3 to 5 national collaborating affiliates.)

3. Stronger, more effective and decentralized Technoserve. (6 to 8 semi-autonomous country programs; 2 new country programs; 150 to 200 decentralization training seminars; 150 to 200 counterpart training seminars; 36 MIS training seminars.)

4. More accessible, cost effective service delivery systems.

5. An international network of Technoserve programs and counterparts.

6. Expansion into 2 new countries.

7. Positive influence at national, AID and multi-lateral donor policy levels. (2 international network conferences; Technoserve policy recommendations sought and considered.)

B. Institutional expansion and strengthening.

1. The Technoserve "Network".

What does this concept mean and what are the specific attributes of a "Network"? (*What does inclusion in the Technoserve network mean for you and/or your organization?*)

Has Technoserve developed an effective implementation plan? (*How did you go about the process of attempting to establish a network? Did you have a plan and a set of guidelines?*)

How has this concept been realized?(*What to date has been done to create a network of affiliated organizations in this country?*)

Does the Network concept involve significant synergy's and complimentarities?
If so, can they be identified and measured? (*In what ways has participation in the Technoserve network made your organization more effective? Have you been able to access the expertise of other organizations in the network?*)

How has Technoserve maintained the balance between "minimum uniform standards" and local "initiative and creativity"? (*What policy direction do you receive from Technoserve? Do you feel this is appropriate? Has participation in the network hampered your flexibility?*)

What mechanisms, controls and information systems has Technoserve put in place to do this? (*How do you feel about the structure of you relation with Technoserve? Do you feel that the information that you provide to Technoserve is used in a useful and appropriate way?*)

What funding formulas and strategies have proved most effective? (*Has your relationship with Technoserve helped you become more financially independent and viable?*)

What has been particularly innovative about the partnerships that have been developed? (*In working with your organization, what are some of the some of the things that Technoserve has done to strengthen the partnership?*)

How have fund raising relationships developed and evolved? (*Has your relation with Technoserve helped you in fund raising?*)

Does the Network concept explicitly incorporate a maturation and graduation strategy?(*Do you and Technoserve have a long term agreement that envisions a termination of financial support?*)

What impediments have been faced in developing the Network? (*Describe some of the problems that have surfaced as your relation with Technoserve has evolved.*)

2. Organizational decentralization.

Is the organizational value set consistent with and supportive of decentralization and the creation of autonomous entities?(*Why do you believe that decentralization is desirable and what did d you hope to achieve?*)

Is Technoserve's conception of decentralization consistent with and supportive of programmatic goals? (*What if anything has been lost as a consequence of decentralization?*)

In what areas and to what extent has organizational decentralization occurred? (*Describe the sequence and process of decentralization.*)

What are the perceived costs and benefits? (*How did decentralization alter your role as a manager? Can you assess the consequences of these changes.*)

Is the current distribution of authorities and responsibilities clear and appropriate? (*Do you feel that the role and functions of headquarters [the field] is clear?*)

Do field managers have appropriate authority/responsibility? (*Do you ever have tog back to headquarters to double check a decision that you felt was in your bailiwick?*)

Are headquarters functions sufficiently staffed and funded to provide uniform and integrated policy direction? (*Are you getting the policy direction and background analysis that you feel you need from headquarters?*)

Is headquarters providing technical backstopping appropriate to a decentralized organization? (*Where do you get technical support and backstopping?*)

What headquarters function should be modified (strengthened, reduced, delegated) in order to compliment a decentralized structure. (*Looking back at the headquarters function, what would you like to see changed?*)

Has decentralized fund raising been effective? (*How much have you raised locally and what are the future prospects?*)

Should further decentralization be encouraged? (*What additional functions or authorities would you like to have under your control?*)

3. The design and installation of supporting procedures and systems

How has the evaluation system been strengthened and modified to reflect a decentralized approach? (*How are field level findings consolidated and disseminated throughout the Company?*)

Has the proposed "interactive" MIS system with network countries been established ?

Has the installation of a decentralized MIS system been effective? (*Are you getting the information that you need in a timely manner.*)

4. Application of cost effectiveness approach.

What innovative techniques have been developed and implemented?(*How do you measure cost effectiveness?*)

5. Strategic positioning and institutional impact.

Does Technoserve appear to have the organizational attributes that will allow it to adjust to changing conditions?

Well conceived fund raising strategy? (*What is your long range assessment of the funding prospects for Technoserve by major source?*)

Technical competence and a strong technical grasp of the subject matter? (*How does Technoserve plan to stay abreast of technical developments in its field?*)

Adequate financial base and effective long range budget strategy? (*What plans do you have for reducing vulnerability to unpredictable swings in charitable giving or donor support?*)

Strong and involved Board of Directors? (*Does the Board conduct an annual self-assessment and if so does it act on the results of that analysis?*)

Sufficient analytical/policy analysis depth and understanding of external trends? (*Do you feel that Technoserve continues to be on the "cutting edge" in the art of enterprise development?*)

Does Technoserve have a well developed strategic plan with a clear road map of future directions?

Is the overall planning process effective? (*Is long term planning taken seriously and are the results reflected in program direction?*)

Is it adequately aligned with organizational values? (*Do you feel the current plan is consistent with Technoserve's basic identity and value orientation?*)

Is it sufficiently participatory to engage key decision makers? (*Were your views adequately reflected in the current long range plan?*)

Is it grounded in human and budgetary reality? (*Does the plan include realistic long range budget projections?*)

C. Field Implementation

1. Effectiveness of the Technoserve approach. (*What aspects of the Technoserve model work the best? What aspects would you like to see modified? Do you feel the "model" is sufficiently flexible and adaptable to your particular situation? What would you like to change?*)

2. Progress toward achieving **local** program objectives. (*Describe what your country program has accomplished compared to expectations for the last 3 to 5 years. What factors have impeded progress; what techniques or approaches have you employed that are particularly effective?*)

3. The relationship between decentralization, field autonomy and improved local management capability. (*Are you pleased with the decentralization effort? Do you feel it has gone far enough or too far? Do you feel you are more autonomous? Less autonomous? Do you feel decentralization has helped or hurt you ability as*

a manager to accomplish your strategic objectives? In what specific areas has decentralization helped or hurt your ability to be a more effective manager?

4. The linkage between headquarters/field support relationship and the achievement of program objectives? (*Do you get the type of support you want from Norwalk? In what areas do you feel the support relationship is effective and responsive? In what areas is it deficient; What changes would you recommend in the structure of the support relationship with headquarters? Have you explored local alternatives to offshore support arrangements?*)

5. The effectiveness of the evaluation process particularly with respefct to social, economic and environmental impact. (*Describe the nature and frequency of the evaluation process; how do you get at difficult social issues such as differential impact by gender?*)

6. The effectiveness of the sector (commodity) focus. (*Describe the pros and cons of sector focus. Do you feel is a severe constraint on you ability to expand the program and have a greater impact?*)

7. Accessing the competence and expertise of other organizations to effectively mesh with the program planning process. (*What other organizations have particular competence in the areas in which you function? How do you tap the expertise of other organizations? Is there more that can/should be done to utilize these viewpoints and expertise?*)

8. Progress made to ensure that CBE's mature and "graduate" from the program in a regular and systematic way. (*Do you feel that CBE's should eventual "graduate"? Do you have a plan for "graduating" your client organizations? What are the factors that seem to accelerate the maturation and graduation process? What are the factors that seem to slow it down?*)

9. Appropriate adaptation. (*Describe how the country program has evolved over time to reflect changing conditions. Thinking ahead, how do you think it will evolve in the future? What steps will you be taking to prepare for some of the contingencies that you anticipate? What resources will you need at your disposal - - either internally or from headquarters - - to deal with these difficulties?*)